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AUNOR GOLD MINES LIMITED

ANNUAL REPORT 1970

noranda group

AUNOR GOLD MINES LIMITED

HEAD OFFICE: SUITE 1700 — 44 KING STREET WEST, TORONTO 1

DIRECTORS

K. C. Gray	- - - - -	Toronto
R. V. Porritt	- - - - -	Toronto
W. S. Row	- - - - -	Toronto
D. E. G. Schmitt	- - - - -	Toronto
A. W. Stollery	- - - - -	Toronto

OFFICERS

D. E. G. Schmitt	- - - - -	President and General Manager
W. S. Row	- - - - -	Vice-President
M. J. Slack	- - - - -	Assistant to the General Manager
B. H. Grose	- - - - -	Secretary
E. K. Cork	- - - - -	Treasurer

TRANSFER AGENT AND REGISTRAR: Canada Permanent Trust Company, Toronto

ANNUAL MEETING: April 13, 1971 — 12.00 noon (Toronto Time) King Edward Sheraton Hotel

DIRECTORS' REPORT TO THE SHAREHOLDERS

The difficulties experienced in the mine during 1969 were not resolved as early in 1970 as had been expected. It was mid-year before modest but steady improvement became apparent and a small operating profit was earned in the final quarter. A dividend of 4¢ per share was paid in December, 1970 and a further 4¢ dividend has been declared payable on March 1, 1971.

Gold production was 73,880 ounces, some 1,200 ounces more than in 1969 but revenue from metal production was \$49,000 lower, reflecting lower exchange premiums received since June 1, 1970.

Less development work and increased efficiency due to improved mechanization of ore handling in narrow vein stopes more than offset higher costs for supplies, services and labour. Operating expense was reduced by \$107,500 to \$3,780,800 for the year. Expenditures for achievement of additional operating cost reductions must be considered in view of the announcement last August that the EGMA Act will be extended to June 1973 and the implied probability of further extension to 1975.

The gold content of 834,000 tons of proven ore reserves, with average grade of 0.33 oz. per ton at January 1, 1971, was substantially the same as the content of a slightly higher tonnage one year ago.

The Government of Canada is to be commended for its action in continuing the gold mine cost assistance program beyond 1970 and thereby minimizing economic and social hardship which otherwise would have resulted in a predominantly gold mining community. Without EGMA, the magnitude of the operating loss would have compelled closure of the Aunor mine and termination of the direct employment of some 300 persons.

Management at the mine has always demonstrated regard for environmental matters as evidenced by the early establishment of a recreational park and picnic area on the mine property for use by employees, their families and friends. Rehabilitation programs for grading the banks around tailings disposal areas to re-establish vegetation have been in effect for several years. In 1970 a similar plan to reduce erosion by rain and wind and to improve the appearance of a leased and currently active disposal area was proposed to and approved by the Ontario Water Resources Commission.

Integration of the mine operating organization with the staffs of the Hallnor and Pamour mines on an area basis under the direction of one manager became effective November 1st and will permit better utilization of the resources available to the three companies. Mr. J. G. Sparrow, former manager of Aunor, resigned his position to accept a special assignment in the Noranda Group of Companies, and the responsibilities of Mr. L. S. Brooks as Manager of the Hallnor and Pamour mines, were extended to include the Aunor mine.

Your directors wish to record their appreciation of the services of both managers, their staffs and all employees throughout the year.

On behalf of the Board,

D. E. G. SCHMITT,
President.

Toronto, Ontario,
January 27, 1971.

EARNINGS PER SHARE	1970	1969
Loss before EGMA credit	(54.2¢)	(57.0¢)
EGMA credit	38.3	35.5
Operating Loss	(15.9¢)	(21.5¢)
Investment Income	25.1	18.5
	9.2	(3.0¢)
Recovery of Income Tax	—	8.6
	9.2¢	5.6¢

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
REVENUE		
From metal production	<u>\$2,698,474</u>	<u>\$2,747,923</u>
EXPENSE		
Cost of production	3,612,335	3,657,692
Administrative expenses	59,038	48,071
Depreciation	103,000	100,632
Amortization	6,397	81,925
	<u>3,780,770</u>	<u>3,888,320</u>
Less recoverable under The Emergency Gold Mining Assistance Act	<u>765,300</u>	<u>710,800</u>
	<u>3,015,470</u>	<u>3,177,520</u>
OPERATING LOSS	<u>(316,996)</u>	<u>(429,597)</u>
INVESTMENT INCOME		
Dividends from affiliated and associated companies	72,960	61,040
Other dividends and interest earned	278,494	307,782
Profit on sale of investments	150,353	1,355
	<u>501,807</u>	<u>370,177</u>
	<u>184,811</u>	<u>(59,420)</u>
Recovery of income taxes	—	172,250
NET INCOME	<u>184,811</u>	<u>112,830</u>
RETAINED EARNINGS		
Balance, beginning of year	<u>4,552,176</u>	<u>4,739,346</u>
	<u>4,736,987</u>	<u>4,852,176</u>
Prior years' income tax liabilities and accumulated tax reductions no longer required	<u>128,968</u>	<u>—</u>
	<u>4,865,955</u>	<u>4,852,176</u>
Less dividends	<u>80,000</u>	<u>300,000</u>
	<u>\$4,785,955</u>	<u>\$4,552,176</u>
EARNINGS PER SHARE	<u>9.2¢</u>	<u>5.6¢</u>

NOTE:

The aggregate direct remuneration paid or payable to the five senior officers of the company (as defined by the Corporations Act) amounted to \$52,008.

AUNOR GOLD
 (Incorporated und...

BALANCE SHEET

ASSETS

	1970	1969
CURRENT ASSETS		
Cash and short term deposits	\$3,230,621	\$3,017,493
Bullion	237,965	223,329
Accounts and interest receivable	22,077	18,954
Income taxes recoverable	—	286,050
Marketable investments — at cost (quoted market value \$1,052,400)	1,060,582	929,750
Receivable under The Emergency Gold Mining Assistance Act	335,943	254,265
Stores at cost	259,970	261,675
Prepaid expenses	6,468	7,569
	5,153,626	4,999,085
INVESTMENTS AT COST		
Shares in associated and affiliated companies (Quoted market value \$1,300,100)	582,817	582,817
FIXED ASSETS		
Buildings, plant and equipment — at cost	2,424,183	2,354,062
Accumulated depreciation	2,194,620	2,101,680
	229,563	252,382
Mining claims purchased and held under lease — at cost	1,179,349	1,179,349
	1,408,912	1,431,731
DEFERRED DEVELOPMENT EXPENDITURES, less amounts written off	—	6,397
	\$7,145,355	\$7,020,030

AUDITORS' REPORT

We have examined the balance sheet of Aunor Gold Mines Limited as at December 31, 1970 and the statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
 January 27, 1971.

INES LIMITED

Laws of Ontario)

AT DECEMBER 31, 1970

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Accounts payable	\$ 359,400	\$ 338,886
Taxes payable	—	48,568
	<u>359,400</u>	<u>387,454</u>
ACCUMULATED TAX REDUCTION APPLICABLE TO FUTURE YEARS	—	80,400

SHAREHOLDERS' EQUITY

Capital stock		
Authorized, issued and fully paid		
2,000,000 shares of \$1 each	2,000,000	2,000,000
Retained earnings	<u>4,785,955</u>	<u>4,552,176</u>

On behalf of the Board:

D. E. G. SCHMITT, Director.

W. S. ROW, Director.

\$7,145,355

\$7,020,030

THE SHAREHOLDERS

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operation and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS & CO.,
Chartered Accountants.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
WORKING CAPITAL, beginning of year	<u>\$4,611,600</u>	<u>\$4,921,400</u>
 SOURCE OF FUNDS:		
Operations —		
Net income	184,800	112,800
Add charges not requiring an outlay of funds		
Depreciation	103,000	100,700
Amortization	6,400	81,900
	<u>294,200</u>	<u>295,400</u>
Prior years' income tax liabilities written off	48,600	—
	<u>342,800</u>	<u>295,400</u>
 APPLICATION OF FUNDS:		
Investments	—	238,900
Dividends	80,000	300,000
Fixed assets — net	80,200	66,300
	<u>160,200</u>	<u>605,200</u>
NET INCREASE (DECREASE)	182,600	(309,800)
WORKING CAPITAL, end of year	<u><u>\$4,794,200</u></u>	<u><u>\$4,611,600</u></u>

MANAGER'S REPORT

To the President and Directors:

This report summarizes operations for the year 1970.

MINE

Production

An improvement in tonnage and grade was achieved following an adverse first quarter. During the last half of the year three small diesel powered load-haul-dump units were acquired. The operation of these units, for the handling of ore in the narrow cut-and-fill stopes with minimal dilution, has resulted in a significant reduction in manpower while maintaining the production level.

Ore hoisted amounted to 263,030 tons; 234,240 tons from stopes, 21,870 tons from stope preparation and 6,920 tons from development. The proportion of ore hoisted through the internal No. 3 shaft to the 2900' level increased from 87% to 92% of the total.

Backfill placed in the mine totalled 113,620 tons of classified mill tailings and 26,360 tons of truck-hauled pit sand.

Development

Lateral development, including diamond drilling to guide stope preparation, was continued on a reduced basis down to the 4000' level. The work was almost entirely below the 2900' level and is summarized in feet of advance as follows:

	1970	1969
Drifts and Crosscuts	1,251	2,468
Raises	121	317
Stope Preparation	4,327	6,319
Diamond Drilling	11,688	31,004

Ore Reserves

At January 1, 1971, ore reserves down to the 3500' level were 834,000 tons averaging 0.33 oz. gold per ton compared with 858,000 tons averaging 0.32 oz. at the beginning of 1970. Reserves were estimated for a minimum mining width of 5 feet with no additional allowance for dilution.

MILL

Production and performance is tabulated below with statistics for both 1969 and the period since production started in January, 1940.

	1970	1969	Total To Date
Tons milled	261,720	260,793	6,408,752
Tons milled per calendar day ...	717	714	566
Average gold content — oz./ton ..	0.295	0.292	0.342
Average tailings loss — oz./ton ..	0.013	0.013	0.012
Gold recovery — %	95.7	95.4	96.4
Gold production — ounces	73,880	72,680	2,117,649
Value of total production	\$2,698,500	\$2,747,900	\$77,169,000
Value per ton milled	\$ 10.31	\$ 10.54	\$ 12.04

GENERAL

Except for a shortage in some classifications of tradesmen, labour for the mine was adequate. The number of employees was reduced by 62 in the last few months and at year end there were 294 employees on payroll compared to 358 at the end of 1969.

Integration of the operating organization for the mine on November 1, with those of the Hallnor and Pamour mines in the Porcupine area, under the direction of one manager, improved the technical and administrative resources available to each mine and should result in operating economies.

I wish to express my appreciation to the entire staff for efficient and loyal services during the past year, and particularly for the co-operation of those involved in reorganization and reallocation of the operating functions.

Respectfully submitted,

Timmins, Ontario,
January 15, 1971.

L. S. BROOKS,
Manager.

